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Office of the Secretary
Federal Communications Commission
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Washington, D.C. 20554

RE: In the Matter of the Federal-State Joint Board on Universal Service - CC Docket No. 96-45

Gentlepersons:

Enclosed please find an original and 10 copies of the "Reply Comments of the California Department of Consumer Affairs on the Recommended Decision of the Federal-State Joint Board on Universal Service." Please file this document in the above matter, and return an endorsed copy to me in the enclosed stamped, self-addressed return envelope. Pursuant to FCC Rule 1.419, we have enclosed an additional five copies of our Reply Comments for distribution to each of the Commissioners.

Thank you for your assistance.

Sincerely,

Virginia J. Taylor

VIRGINIA J. TAYLOR
Staff Counsel

Enclosures

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BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

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In the Matter of Federal-State Joint Board on Universal Service	))))	CC Docket No. 96-45

REPLY COMMENTS OF CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS

ON THE RECOMMENDED DECISION OF THE

FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE

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January 9, 1997

EXECUTIVE SUMMARY

The federal high-cost area subsidy program should be narrowly focused so that supporting it neither overburdens those consumers who must fund it, nor impedes the nation's objectives for economic growth and development. A narrowly focused high-cost area subsidy also may increase the availability of funds for supporting telecommunications services to schools and libraries.

The Commission should confirm that complementary state universal service programs need not be identical to the federal program. In particular, California should be allowed to continue its requirement that in order to be eligible for state high-cost area subsidy funds, providers must assume carrier of last resort responsibility.

The Commission also should confirm that customers of resold services are eligible to receive a Lifeline subsidy. Limiting the Lifeline subsidy to customers of facilities-based providers would significantly disadvantage Lifeline customers, and would inhibit competition.

The DCA supports an income verification requirement for Lifeline customers. However, if the Commission eliminates a state's ability to receive a portion of the federal Lifeline subsidy absent income verification, it should provide a period within which states may transition to meet an income verification requirement.

In order to maximize the effect of any additional federal Lifeline funding, the Commission may consider providing the additional support only if a state maintains its current contribution to its own Lifeline program.

The DCA encourages the Commission to adopt an all end user surcharge ("AEUS") as the funding mechanism for federal universal service programs. However, if the Commission adopts a different funding mechanism, it should confirm that states are not prohibited from adopting an AEUS funding mechanism for state universal service programs.

The DCA continues to believe that intrastate revenues are not a jurisdictionally appropriate source of federal universal service funding. However, the DCA is sympathetic to the problem of how to administer a surcharge on only interstate revenues in a competitive environment where providers sell both interstate and intrastate service. Adopting an AEUS funding mechanism may alleviate that problem. However, if the Commission does not adopt an AEUS funding mechanism, and if the Commission finds that it has appropriate jurisdiction to surcharge intrastate revenues, then the DCA believes that funding the federal universal service program through a surcharge on both interstate and intrastate telecommunications provider revenues is fair only if states also may impose a surcharge on both interstate and intrastate revenues to support state universal service programs.

Toll blocking and toll control are not synonymous, and hold the potential for very different outcomes relative to financial risk to telecommunications providers and, hence, to the customers who ultimately bear the extra cost. It may be appropriate to require providers to offer toll blocking to Lifeline customers at reduced rates, and to require reduced deposits to those Lifeline customers who voluntarily elect toll blocking. However, the same cannot be said for toll control because it holds the potential for increased consumer misunderstanding and financial costs for providers and, ultimately, customers who bear those costs.

The Commission, and state commissions, should take the steps necessary to implement Section 706 as soon as possible. Schools and libraries will not be able to reap the full benefits of any discounts the Commission may require pursuant to this proceeding until Section 706 is implemented.

The Commission should seriously consider adopting the Cost Proxy Model, both because of its flexibility, and because it can be populated using publicly available sources.

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REPLY COMMENTS OF CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS ON THE RECOMMENDED DECISION OF THE FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE

I. INTRODUCTION.

The California Department of Consumer Affairs (DCA) respectfully submits the following reply comments on specific portions of the Recommended Decision of the Federal-State Joint Board on Universal Service ("Recommended Decision").

II. COMMENTS.

A. The Federal High-Cost Assistance Program Should be Narrowly Focused.

Similar to the opening comments of the California Public Utilities Commission ("CPUC"),[1] the DCA believes that Sections 254(b)(1) and (3) of the Telecommunications Act of 1996 ("the Act") indicate that federal high-cost assistance should be directed to truly high-cost areas, and only when affordability is threatened; federal high-cost assistance should be the exception, not the norm. As the DCA stated in its opening comments, a subsidy should be based on economic need. There is no reasonable justification for subsidizing the cost to provide service to those who can well afford to pay that cost.

[1] Comments of the People of the State of California and the Public Utilities Commission of the State of California on the Recommended Decision ("CPUC Comments"), at p. 3.

The DCA agrees with the CPUC that "it is important to have a high cost assistance program of the correct scope in order that consumers are not overburdened in funding the new program."[2] Narrowly focusing the subsidy helps accomplish that goal, and also could result in the availability of additional subsidy funds which could be focused on other areas of need, such as schools and libraries. Moreover, as the CPUC points out, the telecommunications-related industries are the foundation of the information economy of both now and the future. We must be careful to balance universal service policy goals with our objectives for economic growth and development.[3]

The DCA agrees with the distinction made by the CPUC between Sections 254(b)(3) and 254(g)[4]. Unlike Section 254(g), which mandates that rates charged by interstate providers to rural and high-cost area customers may not be higher than the rates charged by those providers to urban customers, Section 254(b)(3) requires that rates for access should be "reasonably comparable" between urban and rural areas. Section 254(b)(3) does not require that access rates be identical throughout the nation; nor does it preclude access rates in rural areas from being higher than access rates in urban areas.

The cost of other goods and services sometimes vary with the region in which one resides. For example, automobile insurance often costs more in densely populated areas than it does in rural areas because drivers in densely populated areas are exposed to greater risk of accident and injury. On the other hand, food may be less expensive in urban areas than in rural areas -- where the food must be transported over long distances, producing additional

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2 CPUC Comments, at p. 5.

3 CPUC Comments, at p. 6.

4 CPUC Comments, at pp. 3-4.

cost which must be absorbed by consumers in rural areas who are served as a result of that additional expense. Except for those in economic need, the cost to provide telecommunications service should not be treated differently.

The DCA believes that "reasonably comparable" rates can, and should, take into consideration the differences in cost to provide service to rural areas. The DCA suggests that the Commission consider adopting an approach similar to that proposed for Wisconsin by the Wisconsin Public Service Commission. The benchmark for reasonable, just and affordable rates might be defined as some percentage above the average rate. (For example, California allows small and rural local exchange providers 150% of the basic service rate charged by the largest local exchange provider.) Where the cost to provide service exceeds that benchmark, those customers in economic need would receive a subsidy for the cost to provide service in excess of that benchmark based on a sliding scale -- the greater the cost in excess of the benchmark, the larger the percentage of that excess which would be paid through the subsidy. In that way, those who elect to live in rural areas will bear a reasonable portion of the cost of providing service to their area, and those rural customers in economic need would be able to receive a subsidy so that they could remain connected to the network.

B. The Commission Should Confirm that Complementary State Universal Service Programs Need Not be Identical to the Federal Program.

The DCA agrees with the CPUC and The Utility Reform Network ("TURN") that the Act clearly contemplates complementary state universal service programs such as the one

California has recently adopted.[5] Complementary universal service programs need not be identical.

For example, with respect to the high-cost area support program, as the CPUC points out in its opening comments, Section 214(e)(2) gives the states discretion to determine which telecommunications providers are eligible to receive high-cost subsidy funding. The CPUC has wisely concluded that universal service in California's high-cost areas would be jeopardized if providers were allowed to receive high-cost area subsidy funds without assuming a carrier of last resort ("COLR") obligation; therefore, the California's newly adopted high-cost area subsidy program requires that providers who receive high-cost area subsidy funds must assume a COLR obligation.

The DCA urges the Commission to reach the same conclusion with respect to the federal high-cost area subsidy program. However, should the Commission adopt the Joint Board's recommendation and not impose that eligibility requirement on providers for purposes of the federal program, the DCA urges that, at the very least, the Commission not interpret the Act in a way which would undermine the CPUC's determination on that issue.

Similarly, with respect to the Lifeline program, the Commission should avoid, where possible, interpreting the Act in ways which would conflict with state Lifeline programs. The DCA joins the CPUC in urging the Commission to coordinate the reformed federal Link-up effort with existing state efforts, so that the optimum result is achieved without duplicating resources.[6]

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[5] CPUC Comments, at pp. 4-5; Comments of The Utility Reform Network (TURN) on the Recommended Decision of the Federal-State Joint Board ("TURN Comments"), at p. 3.

[6] CPUC Comments, at p. 12.

C. Customers of Resold Services Should be Eligible for the Lifeline Subsidy.

The DCA strongly agrees with TURN and the CPUC that customers of all telecommunications providers should be eligible to receive Lifeline service.[7] As the CPUC stated, "[a]llowing all carriers to participate in the low-income program will engender competition to serve low-income customers. Because the subsidy is portable across a greater number of carriers, there will be greater outreach and marketing to these economically disadvantaged customers."[8]

Either approach proposed by TURN will resolve the concern: (1) the reseller could pay the facilities-based provider wholesale rates (appropriately discounted) for Lifeline service and resell the service to Lifeline customers at the reduced Lifeline rate, in which case the reseller would receive the Lifeline subsidy; or, if the Commission determines that the Act requires that only facilities-based providers may receive the subsidy, then (2) the reseller could pay the facilities-based provider wholesale rates (appropriately discounted) for Lifeline service, less the federal and state Lifeline subsidies, and resell the service to Lifeline customers at the reduced Lifeline rate, in which case the facilities-based wholesaler would receive the Lifeline subsidy.[9]

The important matter is that Lifeline customers should not be limited to obtaining service only from facilities-based providers. Such a policy disadvantages Lifeline customers and inhibits competition. Instead, Lifeline customers should be able to obtain telecommunications services from any provider who offers those services in the customer's

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[7] TURN Comments, at pp.7-8; CPUC Comments, at pp. 12-13.

[8] CPUC Comments, at p. 12.

[9] TURN Comments, at pp. 7-8.

area, irrespective of whether the services purchased are provided directly by a facilities-based provider or are the resold by a nonfacilities-based provider.

D. Income Verification for Lifeline Customers.

The DCA recognizes that because several states have their own Lifeline program, in addition to the federal Lifeline program, it may be impossible for the Commission to avoid structuring a federal Lifeline program in ways which avoids conflict with every aspect of each state's Lifeline program. California's self-certification requirement may be one of those exceptions.

To the DCA's knowledge, California is the only state which does not require that Lifeline customers verify their income. The DCA is informed that because California does not require that Lifeline customers verify their income, California currently receives only 50% of the federal Lifeline baseline support of $3.50.

At paragraph 425, the Joint Board states that:

> Currently, state agencies or telephone companies administer customer eligibility determinations pursuant to narrowly-targeted programs approved by the Commission. [Footnote omitted.] We recommend that the Commission maintain this basic framework for administering Lifeline eligibility in states that provide matching support for the Lifeline program.

It is not entirely clear to the DCA whether that recommendation would encompass a continuation of the receipt of 50% of the federal Lifeline baseline amount by a state whose Lifeline program requires only self-certification.

The DCA recognizes that self-certification may have been necessary and appropriate when the Lifeline program was initially implemented in order to encourage eligible customers to apply for Lifeline service. However, now that the Lifeline program is highly successful, that additional incentive to apply is no longer necessary. Indeed, the CPUC has recently directed its staff to investigate the possibility of income verification.[10]

In principle, the DCA supports an income verification requirement for Lifeline customers. However, not all states' income verification requirements are identical, and California's newly adopted universal service program for a competitive marketplace presently continues to allow self-certification.[11] Therefore, if the Commission decides to change the current federal program in ways which would preclude states from any participation in that program absent income verification for Lifeline customers, it may be appropriate for the Commission to allow a period within which states may transition their Lifeline programs into comply with that requirement.

E. Maximizing the Effect of Any Additional Federal Lifeline Funding.

In the Recommended Decision, the Joint Board recommended that the Commission seek additional comment on the question of how the Commission can avoid the unintended consequence that an increased federal support amount might have no direct effect on Lifeline subscribers' rates in many populous states with Lifeline programs, and instead may result only in a larger percentage of the total support being generated from federal sources.[12] In response, the Competition Policy Institute responded with several possible solutions, including one that the Commission set a baseline Lifeline support rate, and then provide additional support beyond that level only if a state maintains the state contribution currently

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[10] CPUC Comments, at p. 11.

[11] Although, as stated above, the CPUC has ordered its staff to further review this issue.

[12] Recommended Decision, ¶ 420.

in effect.[13] The DCA believes that the basis for this suggestion may have merit, and encourages the Commission to give it further consideration.

F. An All End User Surcharge Funding Mechanism Should be Adopted.

For the reasons stated in the DCA's opening comments, the DCA continues to urge the Commission to adopt an all end user surcharge (AEUS) as the funding mechanism for all federal universal service programs. It is an accepted tenant in the telecommunications industry that basic service is probably the most inelastic telecommunications service.[14] As the CPUC points out, basic economic theory tells us that if demand is relatively inelastic and supply relatively elastic, the burden of universal service will be born mostly, if not entirely, by consumers.[15] The DCA agrees with the CPUC that "[t]o suggest that somehow carriers will pay or absorb a greater share of the assessment [for universal service programs] than consumers if a gross revenues based approach is used rather than a retail surcharge is a fallacy with no economic foundation."[16]

In the event the Commission selects something other than an AEUS as the federal universal service funding mechanism, the DCA joins the CPUC in urging the Commission

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[13] Comments of the Competition Policy Institute on the Recommended Decision ("CPI Comments"), at p. 6.

[14] See, e.g., TURN Comments, at p. 11 ("A fund of the size required to support discounts on inside wire for schools and libraries would place pressure on carriers to raise rates for the most inelastic services (e.g., basic telephone service.)" [sic])

[15] CPUC comments, at p. 14.

[16] CPUC Comments, at p. 15.

not to make any conclusions or findings that would inhibit states from adopting an AEUS as a state universal service funding mechanism.[17]

G. Determining the Appropriate Funding Base.

As reflected in the DCA's opening comments, the DCA shares the CPUC's concerns regarding the Joint Board's proposal that the Commission adopt a provider net revenue surcharge on both interstate and intrastate revenues as the funding base for federal universal service programs.[18]

As the DCA pointed out in its opening comments, another advantage of adopting an AEUS funding mechanism is that it would resolve the issue of how to fund federal universal service programs through only the interstate telecommunications services that are within the jurisdiction of the Commission. Since a customer's telephone bill reflects the locations from which, and to which, calls are made, it should be a simple matter to impose an AEUS for a state's universal service program on that portion of a customer's bill which reflects the cost of intrastate calls, and a separate AEUS for the federal universal service program on that portion of a customer's bill which reflects the cost of interstate calls.

However, should the Commission decide (in spite of the DCA's urging) to adopt a net revenue surcharge mechanism, then the Commission must wrestle with the issue of whether it has the authority to assess the surcharge on both interstate and intrastate revenues. While the DCA continues to believe that the Commission does not have jurisdiction to assess a surcharge on intrastate revenues, the DCA is sympathetic to the problem of how to

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[17] CPUC Comments, at p. 13.

[18] CPUC Comments, at pp. 15-19.

administer the surcharge on only the interstate revenues in a competitive environment where providers may sell both interstate and intrastate services.

In the event that the Commission decides (despite the urging of the DCA and other interested parties) to assess the surcharge on both interstate and intrastate revenues, the DCA agrees with CPI that such an approach is workable only if the states also are given the authority to fund state universal service programs through a surcharge (including an AEUS) assessed on both intrastate and interstate telecommunications service charges.[19] If the Commission adopts the Joint Board's proposal absent that condition, customers who purchase both interstate and intrastate services from the same provider would be required to fund (either directly or indirectly) both the federal and state universal service programs through two assessments on the intrastate telecommunications services they purchase, while customers who purchase their intrastate telecommunications services from providers who offer only intrastate services would fund only a state universal service program through an assessment on those intrastate services purchased.[20]

H. Toll Blocking and Toll Control Are Not Synonymous, and May Not Warrant Identical Treatment.

In its Recommended Decision, the Joint Board identifies two forms of "toll limitation" -- "toll blocking" and "toll control". In reviewing some of the opening comments of

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[19] CPI Comments, at pp. 8 and 14. "In conclusion, CPI believes that there is a very compelling case for the Commission to use 'combined revenues' as the basis for apportioning responsibility for support for universal service. Our support for this method, however, is premised on the ability of states to use the corresponding factor (intrastate revenues plus interstate revenues attributed to the state) to apportion responsibility for state universal service funds." [Emphasis added.] Id., at p. 14.

[20] Both types of customers would fund the federal universal service program through an assessment on the cost of purchased interstate services purchased.

interested parties, the DCA notes that some parties may sometimes use those three terms interchangeable.[21] Those terms are not synonymous, and the DCA urges the Commission to carefully distinguish between them when considering proposals for providing additional benefits to Lifeline customers who elect toll blocking and toll limitation.

There seems to be a consensus that non-payment of toll charges is a major source of service disconnection for low-income customers.[22] Toll blocking blocks the placement of all toll calls. As a result, there may be some basis for limiting to a minimal amount the service initiation deposit which a provider may require from Lifeline customers who voluntarily elect to receive toll blocking, because it may be reasonable to anticipate that telecommunications providers would enjoy reduced collection costs for those customers. Additionally, while the DCA does not have any information on the cost of toll blocking, it is conceivable that the cost to providers is minimal. If appropriately conducted cost studies show that is so, than there may be some justification for requiring providers to offer toll blocking to Lifeline customers at significantly reduced rates.

However, toll control in another matter. Toll control does not block the placement of all toll calls; rather, it blocks the placement of toll calls after the customer reaches a preset limit. The DCA assumes that if a customer elects toll control, it is the customer, and not the telephone company, who would select the limitation amount. Thus, one customer might select a toll limit of $20, while another customer might select a toll limit of $100 or more.

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[21] See, e.g., Comments of the National Association of State Utility Consumer Advocates (NASUCA) on the Recommended Decision of the Federal-State Joint Board ("NASUCA Comments"), at p. 11, where in the heading to Section C, NASUCA refers to "toll blocking," but in the paragraph under that heading NASUCA refers to "toll limitation" which, according to the Recommended Decision, includes toll control. (See Recommended Decision, at ¶ 384.)

[22] See, e.g., Recommended Decision, at ¶ 384.

It also is not clear to the DCA whether, once the customer reaches his or her preset toll limit, the customer is prohibited from placing any more toll calls until the toll bill is paid, or whether the limit is applied on a per-month basis.[23] If it is the latter, then toll control would not prohibit a customer from incurring toll charges far in excess of his or her selected toll limitation over a period of several months.

Additionally, it seems logical that toll control would require a significant amount of tracking and monitoring of toll call charges -- something providers do not currently do in the normal course of business -- at potentially significant cost to providers and, ultimately, other customers. Toll control also is likely to engender consumer misunderstandings, and providers probably would need additional personnel resources to resolve those misunderstandings. Therefore, the DCA urges the Commission not to take any action relative to toll control without a thorough analysis of a reputably conducted cost benefit study.

In short, while toll blocking and toll control may be two forms of toll limitation, they appear to the DCA to be very different services, with potentially significantly different costs and risks. The DCA cautions the Commission against assuming that they are practically synonymous. Therefore, for purposes of the Lifeline program, the DCA urges the Commission to analyze recommendation relating to them separately on the merits and costs of each type of toll limitation.

I. Both the Commission and State Commissions Should Act Quickly to Implement Section 706.

Section 706(a) of the Act provides that:

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[23] See, Recommended Decision, at ¶ 384 ("toll control allows customers to specify in advance a certain amount of toll usage per month or billing cycle, . . ."). [Emphasis added.]

> The Commission and each State commission with regulatory jurisdiction over telecommunications services shall encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans (including, in particular, elementary and secondary schools and classrooms) by utilizing, in a manner consistent with the public interest, convenience, and necessity, price cap regulation, regulatory forbearance, measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure investment.

The Universal Service Alliance ("USA") chides the Joint Board for first recognizing that Sections 706 and 254 complement and reinforce each other, and yet refusing to consider Section 706 in the context of this rulemaking proceeding on Section 254.[24] The DCA agrees with the USA that the Joint Board and the Commission should be mindful of the values expressed in Section 706 in establishing rules pursuant to Section 254.

However, the DCA notes that Section 706(b) specifically provides for a separate notice of inquiry, regrettably within 30 months after the enactment of the Act, for addressing Section 706(a). Since, to the DCA's knowledge, that notice of inquiry has not yet been issued, it may not be appropriate for the Joint Board to address Section 706 in its Recommended Decision relating to Section 254. Nonetheless, since the USA has raised the issue of Section 706, the DCA believes three points regarding that section may be appropriate here.

First, Section 706 (c)(1) provides that:

> The term "advanced telecommunications capability" is defined, without regard to any transmission media or technology, as high-speed, switched, broadband telecommunications capability that enables users to originate

[24] Comments of Universal Service Alliance on *Recommended Decision* by the Federal State Joint Board ("USA Comments"), at p. 8; see Recommended Decision, at ¶ 619.

> and receive high-quality voice, data, graphics, and video telecommunications using any technology.

Thus, Section 706 applies to the broadband network infrastructure that is essential in order for schools, and the public, to reap the maximum benefits from the ability to access the Internet and other information services. The DCA has long advocated that broadband network infrastructure is a vital key to America's technological future, and that measures promoting competition and removing barriers to infrastructure investment must be a key element in any regulatory and legislative process intended to bring America into the Information Age. It seems to the DCA that schools and libraries will not be able to maximize the benefits of any discounts for telecommunications services which the Commission adopts pursuant to this proceeding implementing Section 254, until Section 706 also is implemented. For that reason, it is regrettable that, rather than require implementation of Section 706 simultaneously with Section 254, Congress provided a 30-month window within which to initiate the notice of inquiry beginning the process of implementing Section 706.

The DCA notes, however, that Section 706(a) applies equally to state commissions, but the time frame for implementation in Section 706(b) applies only to the Commission. Therefore, while the DCA urges state commissions to act quickly to implement Section 706, the DCA also urges the Commission to act far more quickly to implement Section 706 than allowed by Section 706(b).

Second, the DCA notes that Section 706(c)(1) defines "advanced telecommunications capability" in a way which clearly contemplates that the capability would not be limited to wireline technologies. That fact lends support to those interested parties who argue that the

Commission should not allow universal service funds to be used to fund wiring in schools because doing so favors wireline technology over wireless technology.

Third, Section 706(a) does not appear to be a vehicle for explicit additional funding for advanced telecommunications services to schools and libraries. Section 706 specifically lists four methods that both the Commission, as well as state Commissions, may utilize to encourage the deployment of advanced telecommunications capability. Those are: (1) price cap regulation; (2) regulatory forbearance; (3) measures that promote competition in the local telecommunications market; and, (4) other regulating methods that remove barriers to infrastructure investment. Thus, while Section 706 requires the Commission and state commissions to incent the telecommunications marketplace to provide a telecommunications infrastructure which will support advanced telecommunications and information services to schools and libraries, as well as the rest of America, it is not an explicit source of funding for telecommunications services to schools and libraries.[25]

J. The Commission Should Favor Adoption of the Cost Proxy Model.

While the DCA's understanding of cost proxy models is not as extensive as that of some providers, as the DCA understands them, the DCA agrees with the CPUC that the Commission should seriously consider using the Cost Proxy Model ("CPM"), both because of the CPM's flexibility, and because it can be populated using publicly available sources.[26]

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[25] The DCA also notes that Section 706 clearly refers to "infrastructure" and the "capability" for advanced telecommunications. It does not refer to advanced telecommunications services, and, thus, probably would not provide a source of funding for Internet services provided to schools and libraries. Rather, it provides a means for encouraging providers to build the infrastructure necessary to allow schools and libraries to obtain the maximum use and benefits from the Internet and other information services.

[26] CPUC Comments, at pp. 8-9.

III. CONCLUSION.

The federal high-cost area subsidy program should be narrowly focused so that supporting it neither overburdens those consumers who must fund it, nor impedes the nation's objectives for economic growth and development.

The Commission should confirm that complementary state universal service programs need not be identical to the federal program, and that customers of resold services are eligible to receive a Lifeline subsidy.

The DCA encourages the Commission to adopt an AEUS as the funding mechanism for federal universal service programs. The Commission should confirm that, in any event, states are free to use an AEUS to fund state universal service programs.

Although the DCA does not believe that the Commission has jurisdiction to assess a surcharge on providers' intrastate revenues to fund federal universal service programs, if the Commission decides to the contrary the DCA believes that a federal surcharge on intrastate revenues is fair to consumers only if states are granted reciprocal authority to impose a surcharge on interstate revenues to support state universal service programs.

Toll blocking and toll control are not synonymous; they hold the potential for very different consequences to consumers. It may be appropriate for the Commission to require providers to offer reduced rates to Lifeline customers for toll blocking, and to encourage Lifeline customers to elect toll blocking. However, the Commission should carefully study toll control before taking similar action with respect to toll control.

Lastly, implementation of Section 706 is extremely important to the success of the Commission's order implementing Section 254. Therefore, the Commission, as well as state commissions, should proceed to implement Section 706 as quickly as possible.

DATED: January 9, 1997

Respectfully submitted,

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Certificate of Service

I hereby certify that on January 9, 1997, I served a copy of the "Reply Comments of the California Department of Consumer Affairs on the Recommended Decision of the Federal-State Joint Board on Universal Service" on all parties on the service list for CC Docket No. 96-45 by mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list, a copy of which is attached.

Executed on January 9, 1997, at Sacramento, California.

Valerie L. McZeek

VALERIE L. McZEEK
Office Technician
Department of Consumer Affairs

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